

MINISTRY BUSINESS PLAN



2003/04 to 2005/06

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

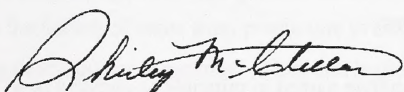
Agriculture, Food and Rural Development

BUSINESS PLAN 2003-06

ACCOUNTABILITY STATEMENT

The Business Plan for the three years commencing April 1, 2003 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of March 19, 2003 with material economic or fiscal implications of which I am aware have been considered in preparing the Business Plan.

The Ministry's priorities outlined in the Business Plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this Business Plan.



Shirley McClellan, *Minister of Agriculture, Food and Rural Development*
March 21, 2003

The Ministry is comprised of the Department of Agriculture, Food and Rural Development; Agriculture Financial Services Corporation; Farmers' Advocate; Irrigation Council; Agricultural Products Marketing Council; and Alberta Grain Commission.

VISION

“Prosperous, sustainable Alberta farms, processors, agricultural businesses and rural communities.”

MISSION

“To enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.”

PRIMARY CLIENTS

The Ministry’s primary clients are those people and organizations capable of contributing to a competitive and sustainable agriculture and food industry. The Ministry also provides unique financial services to the small business sector.

VALUES

- Show respect for people.
- Be customer driven.
- Be committed to high performance.
- Seek continual improvement.

EMERGING DEVELOPMENTS

- The agriculture industry has suffered the worst drought in 130 years. Producers and processors are adapting but the industry will take some time to recover.
- The Ag Summit Action Team Reports and the Alberta Future Summit Report were released early in 2002. Recommendations from both of these consultation initiatives provide a wealth of ideas that need to be considered in the context of Ministry programming. The Ministry believes that many of its current initiatives are consistent with the direction outlined in the reports. However, it is expected that this input will result in revisions in Ministry programming in 2003 and in future years.

STRATEGIC INITIATIVES

The following initiatives are being undertaken in response to the state of the industry and will help establish the strategic direction of the Ministry and facilitate future programming decisions.

- Recently, Federal, Provincial and Territorial Ministers of Agriculture agreed in principle to pursue a new “Agriculture Policy Framework” that will help the agriculture industry position itself for the future. The proposed framework is a comprehensive, integrated five-year strategy that encompasses five key elements: risk management, food safety, environment, renewal, and science. Development of federal-provincial bilateral agreements is underway with the implementation of the Agriculture Policy Framework targeted for April 1, 2003. The new Agriculture Policy Framework and related initiatives may result in revisions to some of the Ministry’s strategies in next year’s business plan.
- Comprehensive Strategies for Rural Development, Growth, and Research and Development are in progress and will be substantially complete by March 31, 2003. It is expected that each of these initiatives will impact the future direction of the department and its programming in 2003 and beyond.

Current conditions in the agriculture industry have demonstrated the susceptibility to inherent risks such as poor weather, declines in global commodity prices, and changes in the overall economy. While the Ministry’s strategic direction is outlined, it is acknowledged that from year to year, changes must be made to accommodate specific developments.

INDICATORS AND PERFORMANCE MEASURES

In the Ministry's goal-based planning framework, the core businesses, goals, strategies, and measures are reviewed annually to ensure they continue to fit the broad strategic framework. The 2002-2005 business plan was the first to reflect a change from industry macro-measures to industry indicators and strategy-based measures. The initial measures proposed for that period were somewhat exploratory. In addition, performance restructuring initiatives were undertaken in the Ministry in 2002, necessitating a refocus of services and a re-examination of the measures. As such, there have been some changes to the performance measures in this business plan.

CORE BUSINESSES

The Ministry contributes to the government's three core businesses: **People, Prosperity and Preservation** and seven of the government's goals. Our primary focus is on the second core business – working with others to promote prosperity for Alberta through a strong, competitive agriculture and food industry that is sustainable and environmentally responsible.

The functions of the Ministry are aligned with government core businesses through three Ministry core businesses:

- Facilitate industry growth
- Enhance rural sustainability
- Provide safety nets

GOALS, STRATEGIES AND PERFORMANCE MEASURES

CORE
BUSINESS
ONE

1 Facilitate Industry Growth

This core business:

- Relates to the core government business of **Prosperity**.
- Relates to the opportunities for Alberta's primary agricultural production to grow to \$10 billion and value-added industry to grow to \$20 billion by 2010.
- Promotes the adding of value from production to finished consumer goods.
- Facilitates development of essential policy and legislation.

GOAL 1 Growth of the Agriculture and Food Industry

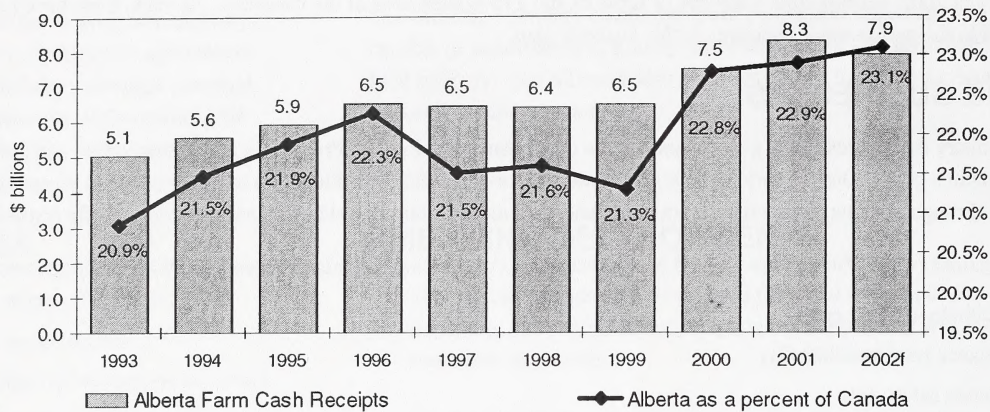
This goal recognizes that industry growth is the outcome of long-term profitability arising from a competitive agriculture and food industry focused on market opportunities. The Ministry contributes to this goal by facilitating new and diversified product development (primary and value-added food and non-food products), enhanced market access for agriculture and food industry products and improved agriculture and food industry business services, including access to capital, risk management tools, business and entrepreneurial processes, and enhanced infrastructure.

Key Results

- Incremental growth in Alberta's primary agricultural production leading to \$10 billion by 2010.
- Incremental growth in Alberta's value-added industry leading to \$20 billion by 2010.
- Profitable economic units/alliances of all sizes contribute to agriculture and food industry prosperity.

Indicators

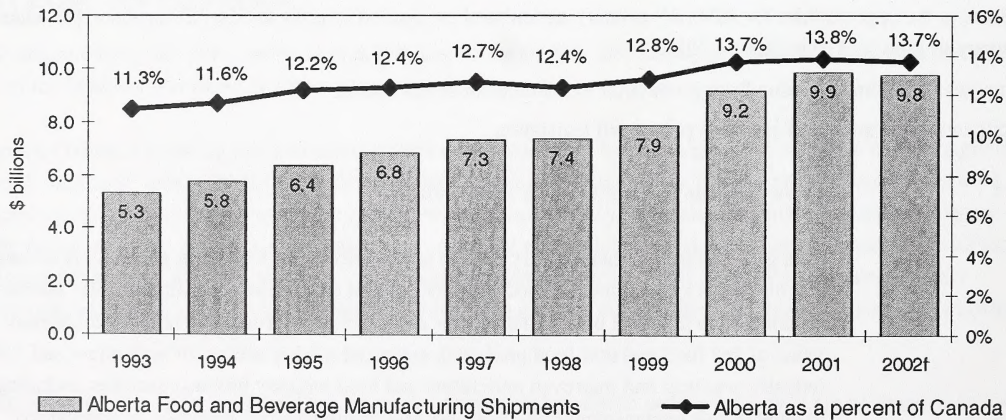
- **Farm cash receipts** represent the cash income received from the sale of agricultural commodities as well as direct program payments.* The total of Alberta farm cash receipts is a measure of the value of primary agriculture production. Alberta's share of Canadian farm cash receipts is an indicator of how competitive Alberta farmers and ranchers are relative to other Canadian farmers.



Source: Statistics Canada, 1993-2001; and Agriculture and Agri-Food Canada, 2002 Forecast (f)

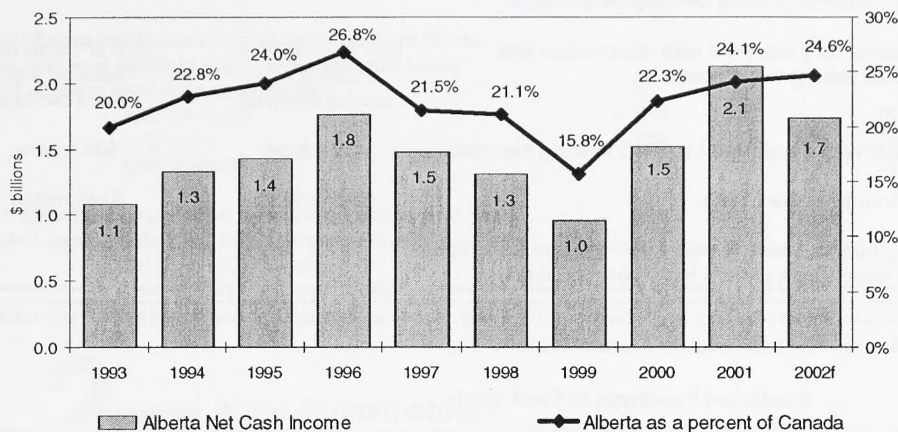
* **Farm cash receipts** include all agricultural products, such as field crops, vegetables, fruits, floriculture and nursery products, sod, livestock and livestock products, etc. Direct program payments represent the amounts paid under various government and private programs to individuals involved in agricultural production.

- Revenue received by food and beverage processing establishments from the sale of their products is referred to as **value of manufacturing shipments**. This indicator shows how Alberta businesses are doing relative to other Canadian businesses.



Source: Statistics Canada, 1993-2001; and Agriculture and Agri-Food Canada, 2002 Forecast (f)

- **Net cash income** represents the amount of cash generated by farm businesses that is available for debt repayment, investment or withdrawal by the owner.* Net cash income is an indicator of the profitability of Alberta farmers and ranchers.



Source: Statistics Canada, 1993-2001; and Agriculture and Agri-Food Canada, 2002 Forecast (f)

* **Net cash income** of farm businesses is derived by subtracting operating expenses from farm cash receipts. Farm operating expenses represent business costs incurred by farm operators for goods and services used in the production of agricultural commodities.

Strategies

- Encourage market responsiveness, diversity and industry competitiveness through the provision of information, technology, and targeted research.
- Enhance efficiencies in production and processing through the delivery of business and technical information and services.
- Facilitate capital investment in the agriculture and food industry through opportunity identification, evaluation, lending products, and providing risk management* tools and training.
- Enhance the development of new products and processes to assist industry in capturing additional value added market opportunities.
- Develop and administer essential policy, legislation, and regulation.
- Advocate policies and programs that facilitate market access, industry growth and competitiveness.
- In partnership with industry and other ministries, provide programs and services to enhance human resource development.
- Work with partners to ensure that appropriate physical infrastructure is in place.

* For safety net detail, reference Core Business 3.

Performance Measures

	2002-03 Forecast	2005-06 Target
Number of new processed food products produced at the Ministry's Leduc Food Processing Development Centre.	110	120
Percentage of clients fully satisfied with information and service provided by the Ag-Info Centre.	95% of clients fully satisfied with service received	95% of clients fully satisfied with service received
Value-added investment supported by AFSC lending services.	\$77 million	\$85 million
Amount of Beginning Farmer Loans.	\$125 million	\$145 million
Number of agriculture and food industry sub-sectors for which competitiveness benchmark criteria have been established.	2	5

Note: Representative examples of results from Ministry and Ministry-funded research that has contributed to competitiveness and growth will be reported in the Ministry's Annual Report.

GOAL 2 Continued Excellence in Food Safety

This goal recognizes that a reputation for excellence in food safety is essential to maintain consumer confidence and expand markets, both domestic and international. The Ministry contributes to this goal by promoting and/or ensuring appropriate safe food production and processing practices throughout the supply chain.

Key Result

- Safe food production and processing.

Indicator

- Level of consumer confidence - the results of data acquired in 2003 will indicate the level of consumer confidence in Alberta-produced food.

Strategies

- Develop, implement, and maintain a food safety surveillance system that validates the safety of Alberta's agriculture and food products.
- Facilitate adoption of internationally accepted food safety systems and standards in production and processing of Alberta food.
- Develop and administer essential policy, legislation and regulation.
- Develop and transfer knowledge and technology in support of safe food production and processing.
- Provide information, training and other programs that enhance food safety awareness and emergency response.
- Participate, as appropriate, in national traceability initiatives.

Performance Measures

	2002-03 Forecast	2005-06 Target
Number of active surveillance sampling programs that identify the incidence of food contaminants or residues.	8	10
Percent of Alberta production from Alberta chicken farms, hog farms, and beef feedlots produced under nationally recognized on-farm food safety programs.		
- chicken farms	0%	90%
- hog farms	0%	90%
- beef feedlots	0%	50%
Percent of Alberta-licensed food processing plants that have implemented appropriate food safety process control systems		
- meat (HACCP-based)	0%	20%
- dairy (HACCP prerequisites)	0%	70%

CORE
BUSINESS
TWO

2

Enhance Rural Sustainability

This core business:

- Relates to the core government businesses of **Preservation, Prosperity and People**.
- Relates to maintaining and improving agriculture's physical and human resource base.

GOAL 1

Improved environmental stewardship

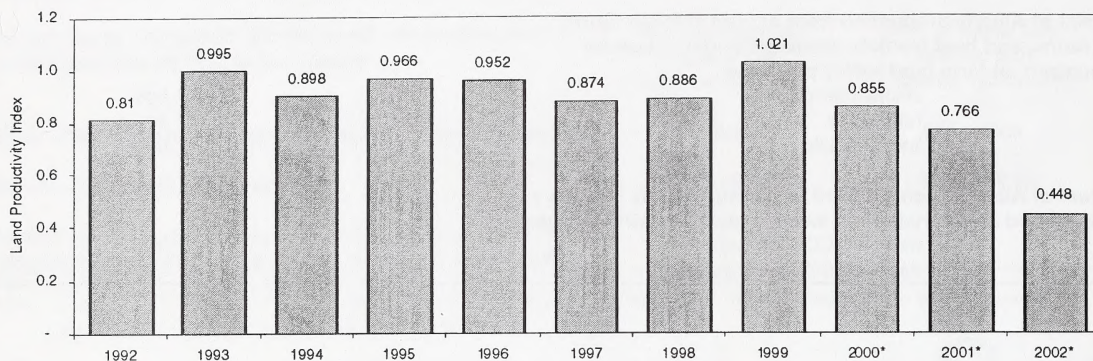
This goal recognizes it is the responsibility of the Ministry to support the agriculture and food industry to maintain or improve Alberta's air, water and soil for the well-being of current and future generations. The Ministry contributes to this goal through essential policy, legislation, information and services related to soil conservation, water quality, air quality, range management, climate change and biodiversity.

Key Results

- Maintained or improved quality of Alberta's agricultural soil.
- Maintained or improved water quality in agricultural areas.

Indicators

- **Land productivity** is the best indicator of soil quality available at this time. It shows the changes in long term land productivity as recorded in annual crop output. A Soil Quality Index that is a more accurate indicator of soil quality is being developed based on monitoring 43 representative benchmark sites and should be available by 2005.



* Declines in 2000-2002 are primarily drought related (2002 was the worst drought in 130 years).

- The Water Quality Index has been developed based on a water quality survey of 23 watersheds that was initiated in 1997. This survey will be completed annually and will provide meaningful information on water quality in agricultural areas. Reports on all 23 watersheds, plus a provincial overview, will be prepared and released annually.

Strategies

- Transfer integrated technology and knowledge to assist the industry in becoming more environmentally sustainable.
- Support and conduct applied/adaptive research and evaluations to find economically sound, environmentally friendly technologies and management practices for crop and livestock production and agricultural processing.
- In consultation with the industry and other involved ministries, provide guidelines, standards, regulations and legislation for environmental performance requirements to sustain the quality of Alberta's soil, water and air.
- Monitor the effect of the agricultural production and processing industry on soil and water quality.

Performance Measure

	2002-03 Forecast	2005-06 Target
Percentage of respondents who have adopted improved practices as a result of ministry-supported stewardship training (formal evaluation every three years).	63%	68%

Note: Representative examples of results from Ministry, and Ministry-funded research that is environmentally related will be reported in the Ministry's Annual Report.

GOAL 2

Strengthened Rural Communities

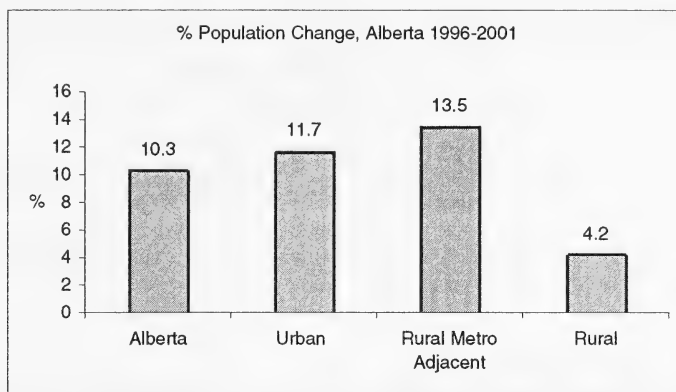
This goal recognizes that vibrant and sustainable rural communities are one component of a prosperous province. The Ministry works to strengthen rural communities through its involvement in facilitation and leadership development, and by acting in a coordinating role. A cooperative effort to ensure a balanced emphasis on social, economic, and environmental priorities by all stakeholders is necessary for community prosperity.

Key Result

- Vibrant and sustainable rural communities.

Indicators

- Rural populations and demographics: Increasing rural populations and reduced out-migrations are indicators of vibrant and sustainable communities.



- Employment growth is one measure of the performance of economies. Communities that have more employment opportunities are viewed as more desirable places to reside. Lower unemployment rates are a reflection of community sustainability.



Strategies*

- Provide leadership development for youth and people actively engaged in agriculture and community organizations.
- Facilitate the development of sustainable communities, organizations, and agricultural businesses that are networked, flexible, adaptable, and manage change pro-actively and positively.
- Co-ordinate a multi-ministry approach to rural development.

* Many of the strategies of this Ministry included under other goals also contribute to “Strengthened Rural Communities.”

Performance Measures

	2002-03 Benchmark	2005-06 Target
Number and diversity of agricultural related community activities supported by Rural Services programming.	Total Activities Type of Activity <ul style="list-style-type: none">• Agriculture Events• Agriculture Business Development• Agriculture Education and Skill Development• Leadership Development• Community Improvements	863 % of Total 32% 9% 27% 13% 19% Number of agricultural related activities will increase by 5%. Agriculture related activities maintain diversity. Leadership development and agriculture education and training will increase by 5%.
Percentage of rural youth that report effective learning from Ministry-supported 4-H programming.	n/a	85%

CORE
BUSINESS
THREE



Provide Safety Nets

This core business:

- Relates to the core government businesses of **Preservation and Prosperity**.
- Provides risk management tools that are not available or not consistently available through the private sector.

GOAL 1

Effective Safety Net Programming

This goal recognizes the need for less instability in a sector significantly affected by unforeseen weather and global influences. The Ministry contributes to this goal by providing safety net funding through programs such as the Farm Income Disaster Program, Crop Insurance, drought preparedness and disaster recovery initiatives. Increased stability coupled with targeted business management information, allows farmers to concentrate their management efforts on adoption of the most economically sustainable management practices for their area.

Key Results

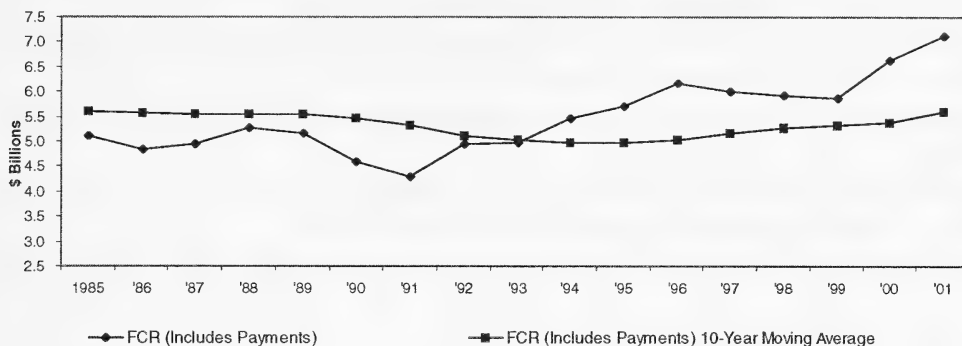
- Effective safety net programs that cushion impacts of severe reductions in farmers' income.
- Primary agriculture producers have access to disaster response programs when disasters occur outside a farm manager's control.

Indicator

- The annual deviation in Alberta Farm Cash Receipts (FCR), including government program payments, compared to the 10 year moving average is an indicator of the variability of farm income. FCR can be adversely affected by a number of factors including:
 - weather and resulting decreased production.
 - government programs in jurisdictions outside of Alberta.
 - the exchange rate of the Canadian dollar.

The Canadian and Alberta governments offer Alberta farmers and ranchers safety net programs to help offset those risks and uncertainties.

Alberta Farm Cash Receipts in Constant (1992) Dollars and 10-Year Moving Average



Note: Values are expressed in constant dollars (1992) to remove the effects of inflation.

Strategies

- Stabilize farm income by providing Alberta farmers with effective and efficient safety net programs.
- Ensure safety net programs are delivered effectively and have the flexibility to meet producer needs.
- Implement enhancements to the Crop Insurance program to mitigate the impact of production, cost and price risk for insured producers.
- Respond to issues resulting from recurring drought by fully implementing the Agriculture Drought Risk Management Plan.
- Implement the Agriculture Policy Framework Implementation Agreement, which responds to Alberta producers' needs for effective and efficient production insurance, income stabilization (including income disaster mitigation), and business interruption insurance programs.

Performance Measures

	2002-03 Forecast	2005-06 Target
Percentage of primary producers surveyed experiencing a disastrous reduction in income that accessed core safety net programs.	n/a*	95%
Percentage of recipients of core safety net program funding, who say that the safety net program money enabled them to continue their farming operations through a year in which they experienced a disastrous reduction in farm income.	n/a*	80%
Percentage of customers satisfied with safety net program delivery.	n/a*	80%
Percentage of eligible seeded acres represented by farmers insured under crop insurance programs.	75%	75%

* Survey to be developed.

CORPORATE SERVICES

AAFRD's strategic direction is supported by a number of service functions. These areas (including Finance, Human Resources, Information Technology, Knowledge Management, Communications, Agriculture Information, and Business Planning) cross the five goals, and are integral to the efficient and effective delivery of Ministry programming. Examples of some of the more strategic initiatives to be undertaken in the Corporate Services area in 2003-2006 include:

- Providing critical support to facilitate the delivery of disaster support payments to producers.
- Further enhancing organizational efficiency and effectiveness by completing the consolidation of field offices and internal administration systems needed as the result of the integration of Alberta Opportunity Company with AFSC.
- Further developing AFSC's website to position the corporation for e-business.
- Completing enhancements to the Ministry's website, Ropin' the Web, which will result in a new look and feel for the website and incorporate customization and personalization functionalities.
- Maintaining an infrastructure to appropriately accommodate and support organizational changes and evolving technologies.
- Supporting the final phases of the transition to a goal-based planning process (i.e., implementing a performance measurement methodology that supports the managing for results approach).
- Continuing to positively contribute to cross-government administrative initiatives.

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
EXPENSE						
Core Business						
Facilitate Industry Growth	202,646	199,166	192,322	203,002	208,512	214,961
Enhance Rural Sustainability	35,688	36,532	38,346	37,784	37,059	37,055
Provide Safety Nets	864,246	365,720	1,450,380	623,106	681,801	671,051
Restricted Expense	130,356	124,874	148,713	-	-	-
MINISTRY EXPENSE	1,232,936	726,292	1,829,761	863,892	927,372	923,067

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
REVENUE						
Internal Government Transfers	11,620	16,620	16,620	16,620	16,620	16,620
Transfers from Government of Canada	268,817	116,842	408,157	169,112	118,871	116,393
Investment Income	108,316	102,598	101,741	90,503	98,817	106,554
Premiums, Fees and Licences	71,693	89,337	104,092	165,887	203,144	207,826
Other Revenue	187,629	131,407	269,478	6,813	6,927	7,227
MINISTRY REVENUE	648,075	456,804	900,088	448,935	444,379	454,620
EXPENSE						
Program						
Farm Income Support	530,041	130,117	590,921	130,333	129,487	135,740
Lending	30,144	31,598	31,543	33,128	34,073	35,230
Insurance	329,535	230,873	854,089	487,542	547,566	530,567
Planning and Competitiveness	30,109	33,171	35,946	35,068	33,064	33,064
Industry Development	47,703	41,927	41,984	41,348	41,398	41,439
Sustainable Agriculture	30,896	30,519	33,110	31,553	31,605	31,635
Infrastructure Assistance	24,058	25,800	24,100	25,800	25,800	25,800
Restricted Expense	130,356	124,874	148,713	-	-	-
Ministry Support Services	21,661	16,595	16,174	17,642	17,522	17,448
Valuation Adjustments and Other Provisions	5,491	5,248	3,672	5,626	5,476	5,257
Program Expense	1,179,994	670,722	1,780,252	808,040	865,991	856,180
Debt Servicing Costs						
Agriculture Financial Services Corporation	52,942	55,570	49,509	55,852	61,381	66,887
Ministry Debt Servicing Costs	52,942	55,570	49,509	55,852	61,381	66,887
MINISTRY EXPENSE	1,232,936	726,292	1,829,761	863,892	927,372	923,067
Gain (Loss) on Disposal of Capital Assets	234	-	-	-	-	-
NET OPERATING RESULT	(584,627)	(269,488)	(929,673)	(414,957)	(482,993)	(468,447)

CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable 2001-02 Actual	Comparable 2002-03 Budget	Comparable 2002-03 Forecast	2003-04 Estimates	2004-05 Target	2005-06 Target
Ministry Revenue	648,075	456,804	900,088	448,935	444,379	454,620
<i>Inter-ministry consolidation adjustments</i>	(11,620)	(16,620)	(16,620)	(16,620)	(16,620)	(16,620)
Consolidated Revenue	636,455	440,184	883,468	432,315	427,759	438,000
Ministry Program Expense	1,179,994	670,722	1,780,252	808,040	865,991	856,180
<i>Inter-ministry consolidation adjustments</i>	-	-	-	-	-	-
Consolidated Program Expense	1,179,994	670,722	1,780,252	808,040	865,991	856,180
Ministry Debt Servicing Costs	52,942	55,570	49,509	55,852	61,381	66,887
Consolidated Expense	1,232,936	726,292	1,829,761	863,892	927,372	923,067
Gain (Loss) on Disposal of Capital Assets	234	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	(596,247)	(286,108)	(946,293)	(431,577)	(499,613)	(485,067)

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